



Congressional Budget Office

The Long-Term Budget Outlook

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Director



CBO's Projections under Current Law

Percentage of Gross Domestic Product

	Today	2035
Federal Spending on Major Mandatory Health Care Programs	5	10
Spending on Social Security	5	6
Total	10	16



Two Long-Term Budget Scenarios

- The **extended-baseline scenario** adheres closely to current law.
- The **alternative fiscal scenario** incorporates several changes to current law that are widely expected to occur or that would modify some provisions of law that might be difficult to sustain for a long period.



Projected Spending and Revenues Under CBO's Extended-Baseline Scenario

Percentage of Gross Domestic Product

	2010	2020	2035
Primary Spending	23	20	24
Interest	1	3	4
Revenues	15	21	23
Deficit	-9	-3	-4
Debt Held by the Public	62	66	79



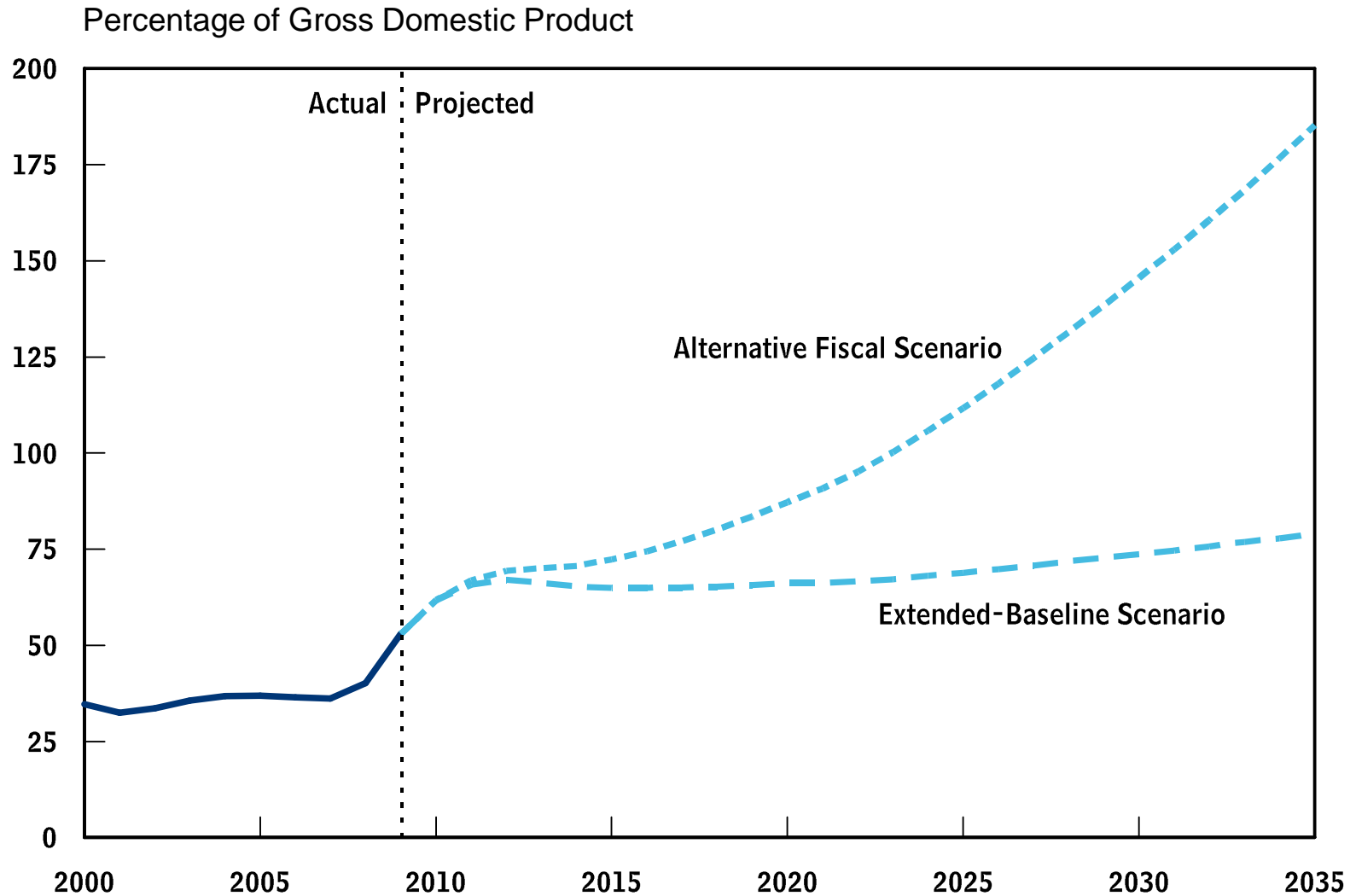
Projected Spending and Revenues Under CBO's Alternative Fiscal Scenario

Percentage of Gross Domestic Product

	2010	2020	2035
Primary Spending	23	22	26
Interest	1	4	9
Revenues	15	19	19
Deficit	-9	-7	-16
Debt Held by the Public	62	87	185

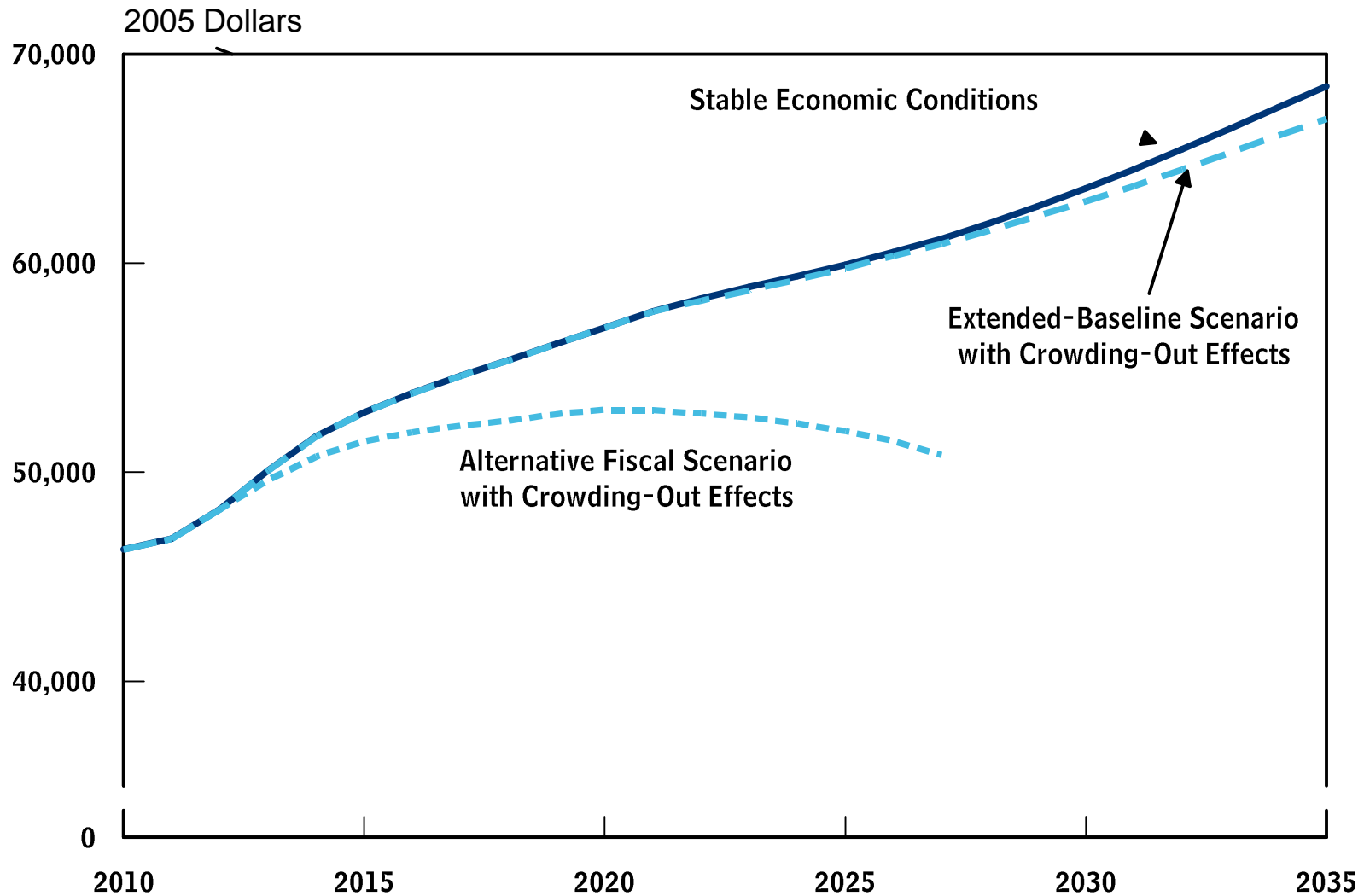


Federal Debt Held by the Public Under CBO's Long-Term Budget Scenarios





Real GDP per Capita Under Stable Economic Conditions or with Crowding-Out Effects





Three Final Points

- There is no intrinsic contradiction between providing additional fiscal stimulus today, while the unemployment rate is high and many factories and offices are underused, and imposing fiscal restraint several years from now, when output and employment will probably be close to their potential.
- The long-run fiscal imbalance under the alternative fiscal scenario is large, and eliminating that imbalance would require significant changes in tax or spending policy, or both.
- Growth in spending on health care programs remains the central fiscal challenge. In CBO's judgment, the health care legislation enacted earlier this year made a dent in the problem but did not substantially diminish that challenge.

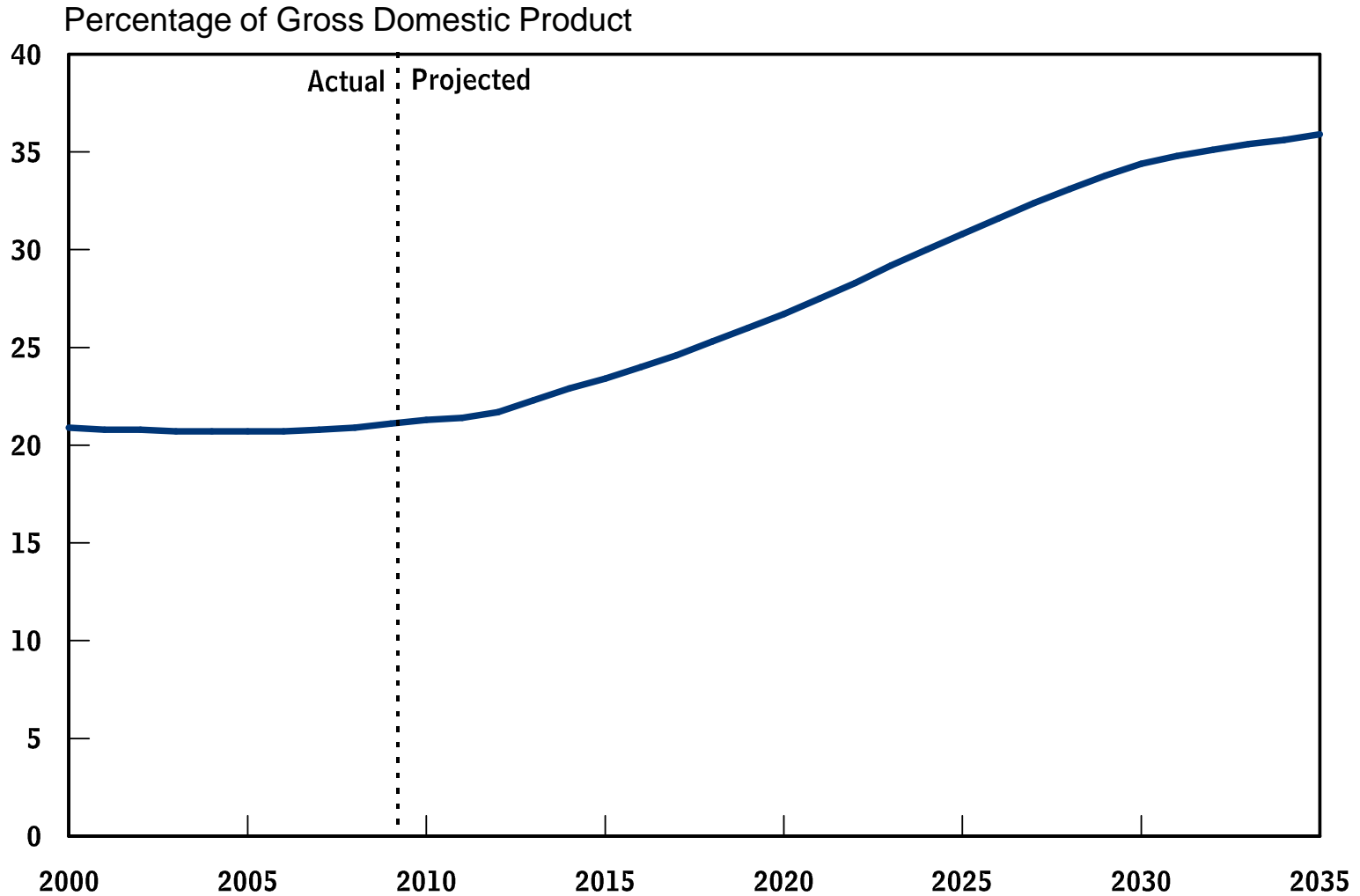


Conclusion

Keeping deficits and debt from growing to unsustainable levels would require raising revenues as a percentage of GDP significantly above past levels, reducing future outlays sharply relative to CBO's projections, or some combination of those approaches.

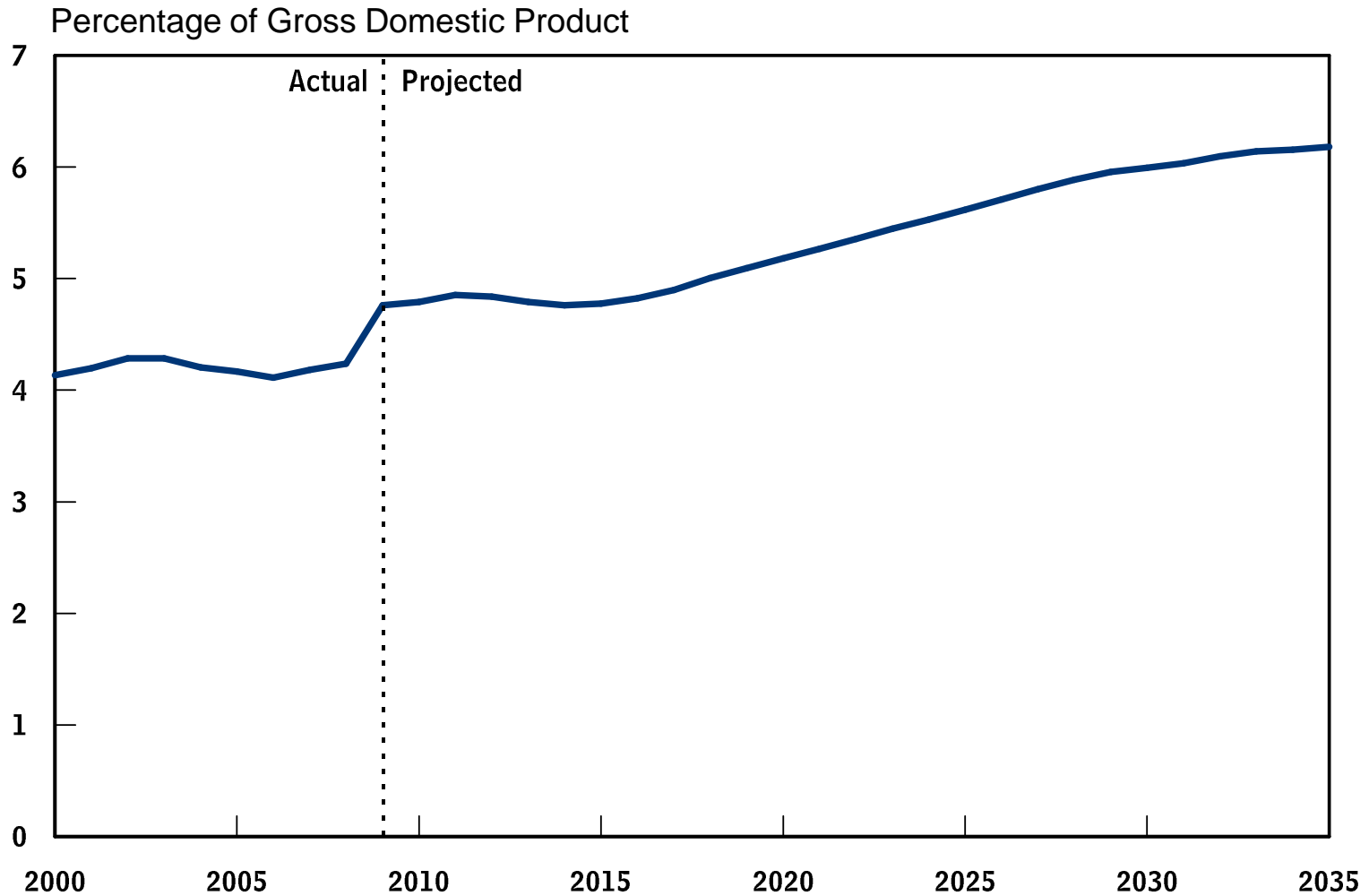


The Population Age 65 or Older as a Percentage of the Population Ages 20 to 64



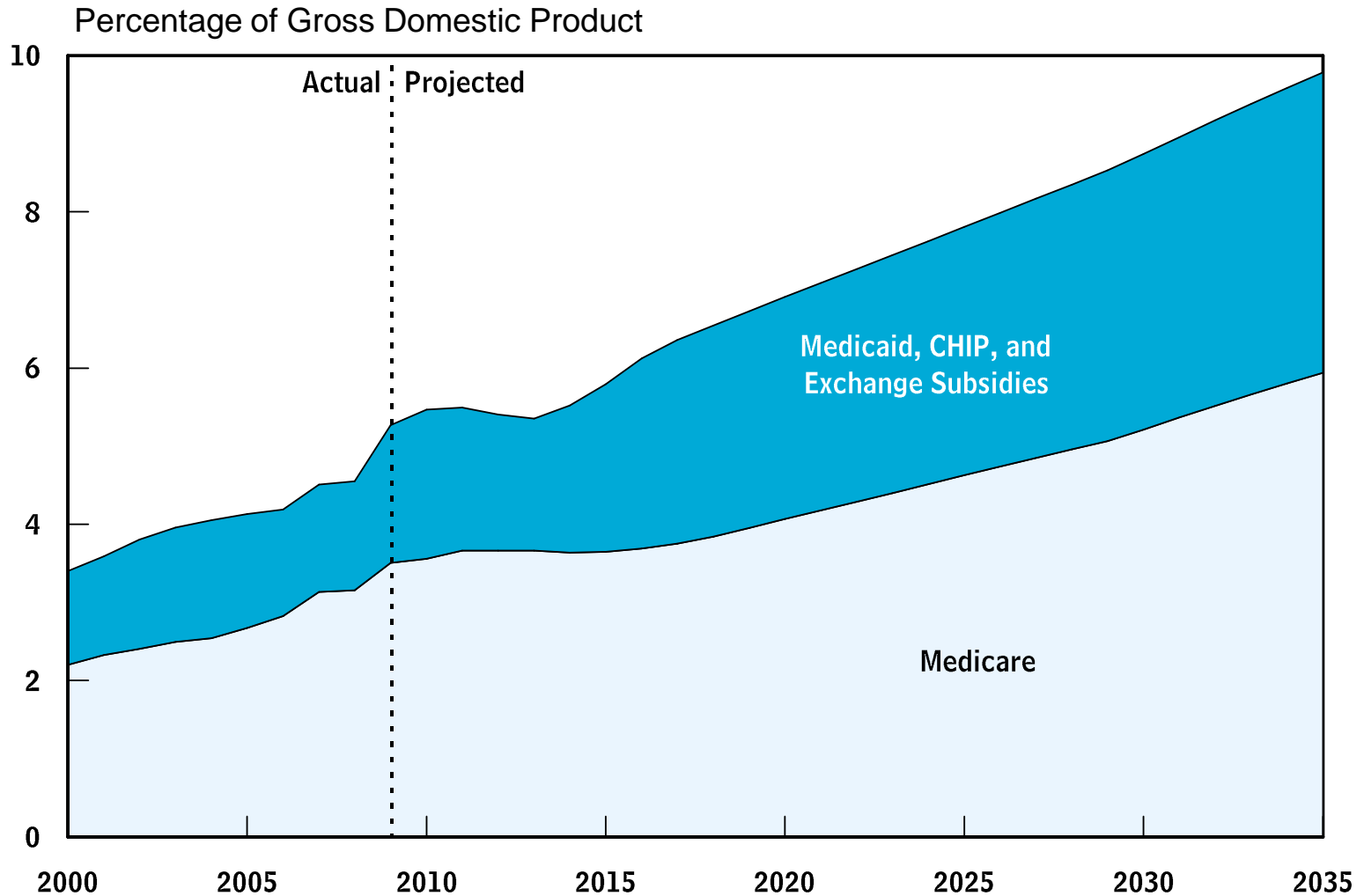


Spending for Social Security Under CBO's Long-Term Budget Scenarios



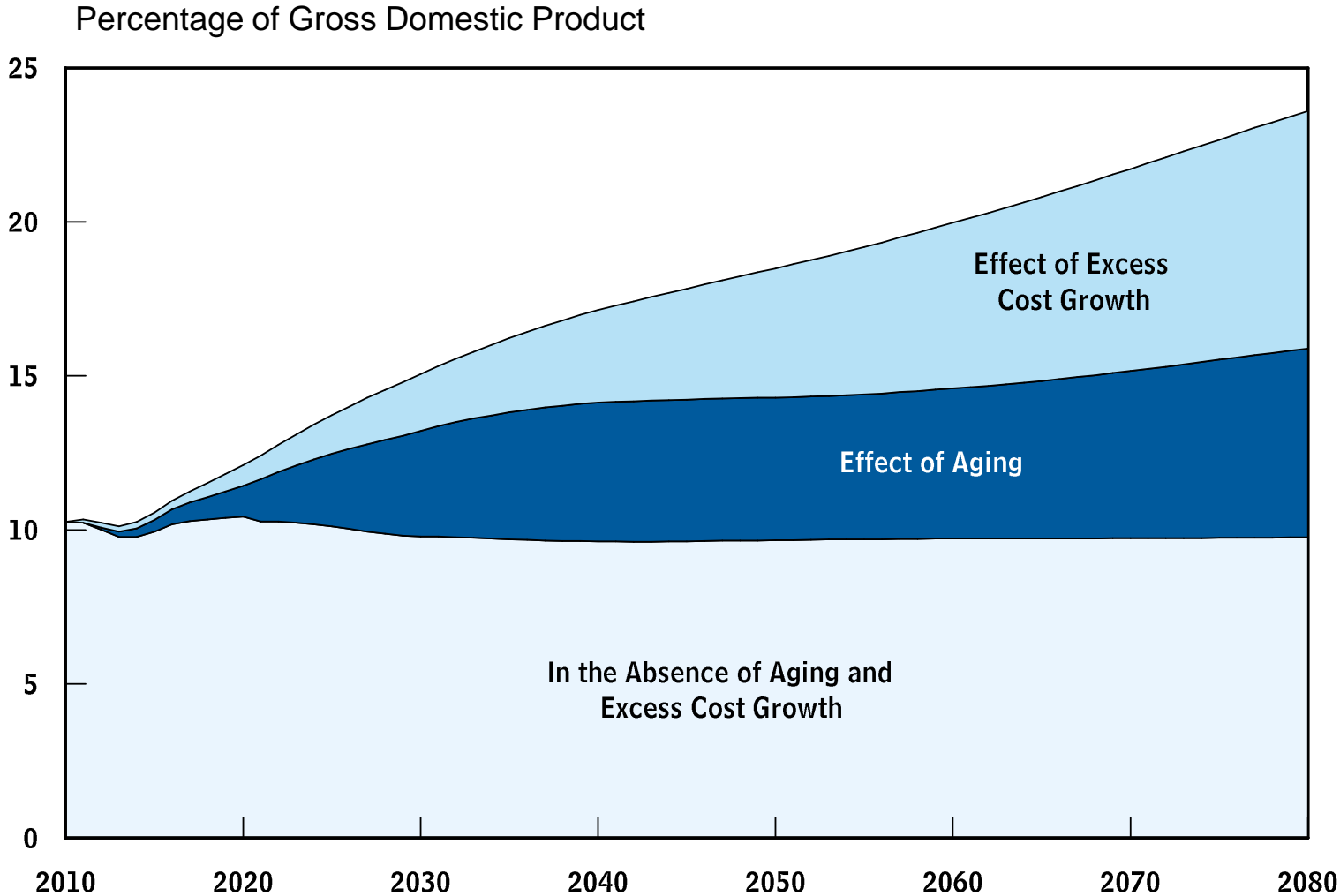


Mandatory Federal Spending on Health Care, by Category, Under CBO's Extended-Baseline Scenario



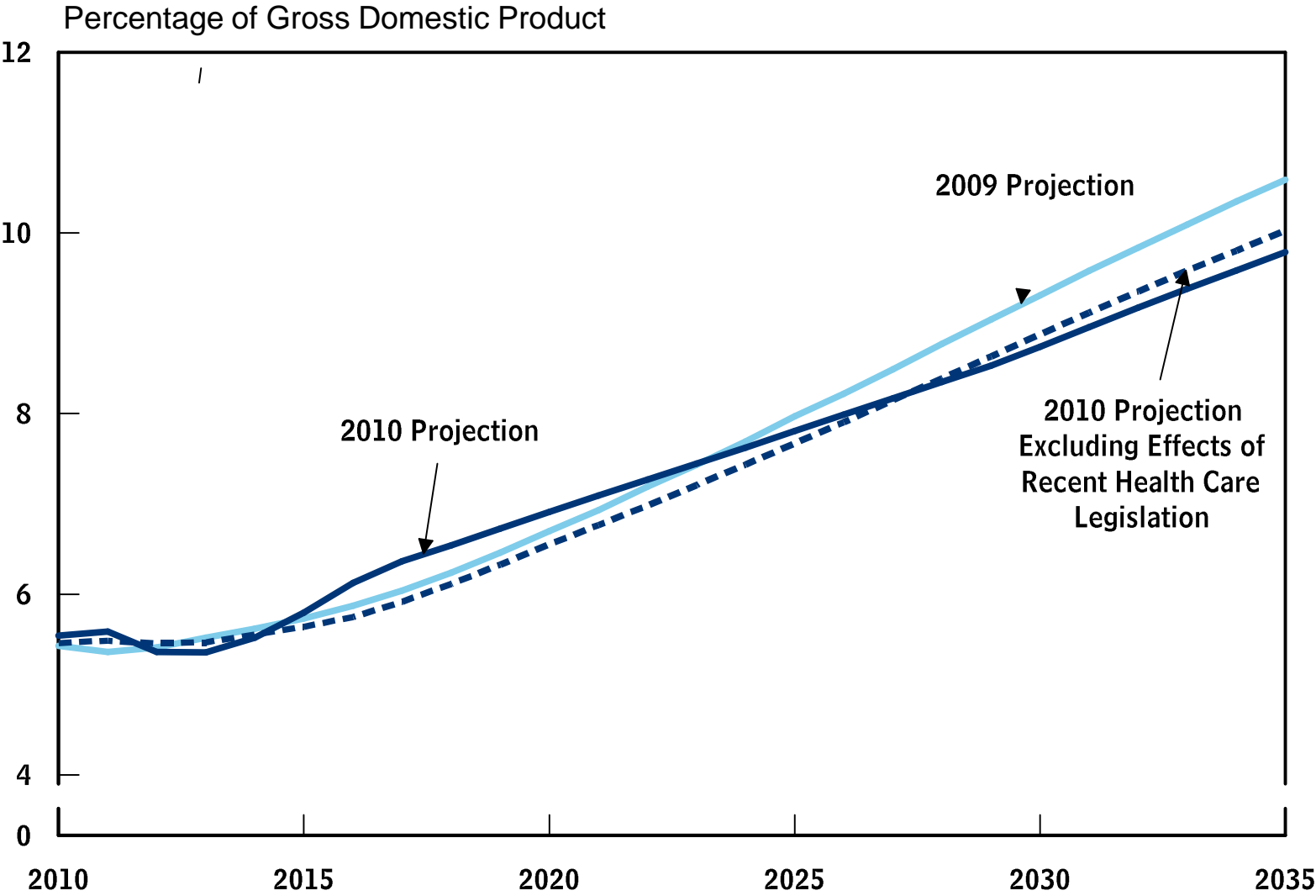


Sources of Growth in Federal Spending on Major Mandatory Health Programs and Social Security, 2010 to 2080





Comparison of CBO's 2009 and 2010 Projections of Mandatory Federal Spending on Health Care Under the Extended-Baseline Scenario





Total Revenues Under CBO's Long-Term Budget Scenarios

